

COMMITTEE REPORT

MADAM PRESIDENT:

The Senate Committee on Utilities and Regulatory Affairs, to which was referred Senate Bill No. 224, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

- 1 Delete everything after the enacting clause and insert the following:
- 2 SECTION 1. IC 8-1-2-6.1 IS AMENDED TO READ AS
- 3 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 6.1. (a) As used in this
- 4 section, "airborne emissions" means air emissions of greenhouse
- 5 gases, sulfur, mercury, nitrogen based pollutants, or particulate
- 6 matter that are:
- 7 (1) emitted from an electric or steam generating facility;
- 8 (2) associated with the combustion or use of coal or natural
- 9 gas; and
- 10 (3) regulated, or found by the commission to be reasonably
- 11 certain to be regulated, by:
- 12 (A) the federal government;
- 13 (B) the state;
- 14 (C) a political subdivision of the state; or
- 15 (D) any agency of a unit of government described in
- 16 clauses (A) through (C).
- 17 ~~(a)~~ (b) As used in this section, "clean coal technology" means a
- 18 technology (including precombustion treatment of coal):
- 19 (1) that is used at a new or existing electric ~~or steam~~ generating
- 20 facility and directly or indirectly reduces ~~or avoids~~ airborne
- 21 emissions; ~~of sulfur or nitrogen based pollutants associated with~~

~~the combustion or use of coal;~~ and

(2) that either:

(A) is not in general commercial use at the same or greater scale in new or existing facilities in the United States as of January 1, 1989; or

(B) has been selected by the United States Department of Energy for funding under its Innovative Clean Coal Technology program and is finally approved for such funding on or after January 1, 1989.

~~(b)~~ (c) As used in this section, "Indiana coal" means coal from a mine whose coal deposits are located in the ground wholly or partially in Indiana regardless of the location of the mine's tipple.

~~(c)~~ (d) Except as provided in subsection ~~(d)~~, (e), the commission shall allow a utility to recover as operating expenses those expenses associated with:

(1) research and development designed to increase use of Indiana coal; and

(2) preconstruction costs (including design and engineering costs) associated with employing clean coal technology at a new or existing coal burning electric **or steam** generating facility if the commission finds that the facility:

(A) utilizes and will continue to utilize (as its primary fuel source) Indiana coal; or

(B) is justified, because of economic considerations or governmental requirements, in utilizing non-Indiana coal; after the technology is in place.

~~(d)~~ (e) The commission may only allow a utility to recover preconstruction costs as operating expenses on a particular project if the commission awarded a certificate under IC 8-1-8.7 for that project.

~~(e)~~ (f) The commission shall establish guidelines for determining recoverable expenses.

SECTION 2. IC 8-1-2-6.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 6.6. (a) As used in this section:

"Clean coal technology" means a technology (including precombustion treatment of coal):

(1) that is used at a new or existing electric **or steam** generating facility and directly or indirectly reduces **or avoids** airborne emissions ~~of sulfur or nitrogen based pollutants associated with combustion or use of coal;~~ **(as defined in section 6.1(a) of this chapter);** and

(2) that either:

(A) is not in general commercial use at the same or greater scale in new or existing facilities in the United States as of January 1, 1989; or

(B) has been selected by the United States Department of Energy for funding under its Innovative Clean Coal Technology program and is finally approved for such funding on or after January 1, 1989.

"Indiana coal" means coal from a mine whose coal deposits are located in the ground wholly or partially in Indiana regardless of the location of the mine's tippie.

"Qualified pollution control property" means an air pollution control device on a coal burning electric **or steam** generating facility or any equipment that constitutes clean coal technology that has been approved for use by the commission, that meets applicable state or federal requirements, and that is designed to accommodate the burning of coal from the geological formation known as the Illinois Basin.

"Utility" refers to any electric **or steam** generating utility allowed by law to earn a return on its investment.

(b) Upon the request of a utility that began construction after October 1, 1985, and before March 31, 2002, of qualified pollution control property that is to be used and useful for the public convenience, the commission shall for ratemaking purposes add to the value of that utility's property the value of the qualified pollution control property under construction, but only if at the time of the application and thereafter:

(1) the facility burns only Indiana coal as its primary fuel source once the air pollution control device is fully operational; or

(2) the utility can prove to the commission that the utility is justified because of economic considerations or governmental requirements in utilizing some non-Indiana coal.

(c) The commission shall adopt rules under IC 4-22-2 to implement this section.

SECTION 3. IC 8-1-2-6.7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 6.7. (a) As used in this section, "clean coal technology" means a technology (including precombustion treatment of coal):

(1) that is used in a new or existing electric **or stream** generating facility and directly or indirectly reduces **or avoids** airborne emissions ~~of sulfur or nitrogen based pollutants associated with the combustion or use of coal;~~ **(as defined in section 6.1(a) of this chapter); and**

(2) that either:

(A) is not in general commercial use at the same or greater scale in new or existing facilities in the United States as of January 1, 1989; or

(B) has been selected by the United States Department of Energy for funding under its Innovative Clean Coal Technology program and is finally approved for such funding on or after January 1, 1989.

(b) The commission shall allow a public or municipally owned electric utility that incorporates clean coal technology to depreciate that technology over a period of not less than ten (10) years or the useful economic life of the technology, whichever is less and not more than twenty (20) years if it finds that the facility where the clean coal technology is employed:

(1) utilizes and will continue to utilize (as its primary fuel source) Indiana coal; or

(2) is justified, because of economic considerations or governmental requirements, in utilizing non-Indiana coal;

after the technology is in place.

SECTION 4. IC 8-1-2-6.8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 6.8. (a) This section applies to a utility that begins construction of qualified pollution control property after March 31, 2002.

(b) As used in this section, "clean coal technology" means a technology (including precombustion treatment of coal):

(1) that is used in a new or existing energy **or steam** generating facility and directly or indirectly reduces airborne emissions ~~of sulfur, mercury, or nitrogen oxides or other regulated air emissions associated with the combustion or use of coal;~~ **(as defined in section 6.1(a) of this chapter);** and

(2) that either:

(A) was not in general commercial use at the same or greater scale in new or existing facilities in the United States at the time of enactment of the federal Clean Air Act Amendments of 1990 (P.L.101-549); or

(B) has been selected by the United States Department of Energy for funding under its Innovative Clean Coal Technology program and is finally approved for such funding on or after the date of enactment of the federal Clean Air Act Amendments of 1990 (P.L.101-549).

(c) As used in this section, "qualified pollution control property" means an air pollution control device on a coal burning energy **or steam** generating facility or any equipment that constitutes clean coal

1 technology that has been approved for use by the commission and that
2 meets applicable state or federal requirements.

3 (d) As used in this section, "utility" refers to any energy **or steam**
4 generating utility allowed by law to earn a return on its investment.

5 (e) Upon the request of a utility that begins construction after March
6 31, 2002, of qualified pollution control property that is to be used and
7 useful for the public convenience, the commission shall for ratemaking
8 purposes add to the value of that utility's property the value of the
9 qualified pollution control property under construction.

10 (f) The commission shall adopt rules under IC 4-22-2 to implement
11 this section.

12 SECTION 5. IC 8-1-2-6.9 IS ADDED TO THE INDIANA CODE
13 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
14 1, 2008]: **Sec. 6.9. (a) As used in this section, "airborne emissions"**
15 **has the meaning set forth in section 6.1(a) of this chapter.**

16 **(b) As used in this section, "airborne emissions project" means**
17 **a project designed to reduce or avoid airborne emissions from an**
18 **existing electric generating facility. The term includes offset**
19 **programs, such as agricultural and forestry activities that reduce**
20 **the level of greenhouse gases in the atmosphere.**

21 **(c) As used in this section, "existing electric generating facility"**
22 **means a facility that:**

23 **(1) is used to generate electricity or steam;**

24 **(2) is associated with the combustion or use of coal or natural**
25 **gas; and**

26 **(3) either:**

27 **(A) commenced commercial operation; or**

28 **(B) was certified by the commission under IC 8-1-8.5-2;**
29 **before July 1, 2008.**

30 **(d) An energy utility (as defined in IC 8-1-2.5-2) may petition**
31 **the commission for approval of the construction, installation, and**
32 **operation or an airborne emissions project. If the commission**
33 **finds, after notice and hearing, the proposed airborne emissions**
34 **project to be reasonable and necessary, the commission shall**
35 **approve the project and provide the following incentives:**

36 **(1) The timely recovery of costs associated with the airborne**
37 **emissions project, including capital, operating, maintenance,**
38 **depreciation, tax, research and development, and financing**
39 **costs incurred during the construction and operation of the**
40 **airborne emissions project.**

41 **(2) The recovery of costs associated with:**

42 **(A) the purchase of emissions allowances; or**

1 **(B) the payment of emissions taxes arising from**
 2 **compliance with air emissions regulations.**

3 **(e) In addition to the incentives described in subsection (d), the**
 4 **commission may provide any other financial incentives the**
 5 **commission considers appropriate.**

6 SECTION 6. IC 8-1-8.4 IS ADDED TO THE INDIANA CODE AS
 7 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
 8 1, 2008]:

9 **Chapter 8.4. Electric Line Facilities Projects**

10 **Sec. 1. The general assembly finds that it is in the public interest**
 11 **for the state to encourage:**

12 **(1) investment in electric transmission and distribution**
 13 **infrastructure; and**

14 **(2) electricity suppliers' participation in a regional**
 15 **transmission organization;**

16 **to ensure a reliable and economic electricity supply to Indiana**
 17 **consumers.**

18 **Sec. 2. As used in this chapter, "commission" refers to the**
 19 **Indiana utility regulatory commission created by IC 8-1-1-2.**

20 **Sec. 3. As used in this chapter, "electric line facilities" means**
 21 **the following:**

22 **(1) Overhead or underground electric transmission lines and**
 23 **related equipment.**

24 **(2) Overhead or underground electric distribution lines and**
 25 **related equipment.**

26 **(3) Electric substations and related equipment, including**
 27 **transformers, circuit breakers, and protection equipment.**

28 **Sec. 4. As used in this chapter, "electric line facilities project"**
 29 **means the construction, operation, maintenance, reconstruction,**
 30 **relocation, addition to, upgrading of, or removal of electric line**
 31 **facilities.**

32 **Sec. 5. As used in this chapter, "electricity supplier" means a**
 33 **public utility that furnishes retail electric service to the public.**

34 **Sec. 6. As used in this chapter, "public utility" has the meaning**
 35 **set forth in IC 8-1-2-1.**

36 **Sec. 7. As used in this chapter, "regional transmission**
 37 **organization" refers to the regional transmission organization**
 38 **approved by the Federal Energy Regulatory Commission for the**
 39 **control area in which an electricity supplier owns electric line**
 40 **facilities.**

41 **Sec. 8. The commission shall encourage electric line facilities**
 42 **projects and participation in regional transmission organizations**

by creating the following financial incentives that the commission finds to be reasonable and necessary:

(1) The timely recovery, by means of a periodic rate adjustment mechanism, of costs incurred by an electricity supplier taking service under a tariff of, or being assessed costs by, a regional transmission organization.

(2) The timely recovery, by means of a periodic rate adjustment mechanism, of costs incurred by an electricity supplier for an electric line facilities project.

(3) Other financial incentives the commission considers appropriate.

Sec. 9. (a) An electricity supplier that seeks to receive one (1) or more financial incentives created under section 8 of this chapter must submit an application to the commission.

(b) Upon receipt of an application under subsection (a), the commission shall review the application for completeness. The commission may request additional information from an applicant as needed.

(c) The commission shall, after notice and hearing, issue a determination of an electricity supplier's eligibility for the financial incentives described in section 8 of this chapter not later than one hundred eighty (180) days after the date of the application.

(d) The commission shall approve an electricity supplier's application under this section if the electricity supplier's electric line facilities project is reasonable and necessary. An electric line facilities project is presumed to be reasonable and necessary if the electric line facilities project is consistent with, or part of, a plan developed by the regional transmission organization.

SECTION 7. IC 8-1-8.7-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 1. As used in this chapter, "clean coal technology" means a technology (including precombustion treatment of coal):

(1) that is used in a new or existing electric ~~or steam~~ generating facility and directly or indirectly reduces ~~or avoids~~ airborne emissions ~~of sulfur or nitrogen based pollutants associated with the combustion or use of coal;~~ (as defined in IC 8-1-2-6.1(a)); and

(2) that either:

(A) is not in general commercial use at the same or greater scale in new or existing facilities in the United States as of January 1, 1989; or

(B) has been selected by the United States Department of

1 Energy for funding under its Innovative Clean Coal
 2 Technology program and is finally approved for such funding
 3 on or after January 1, 1989.

4 SECTION 8. IC 8-1-8.7-3 IS AMENDED TO READ AS
 5 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 3. (a) Except as
 6 provided in subsection (c), a public utility may not use clean coal
 7 technology at a new or existing electric generating facility without first
 8 applying for and obtaining from the commission a certificate that states
 9 that public convenience and necessity will be served by the use of clean
 10 coal technology.

11 (b) The commission shall issue a certificate of public convenience
 12 and necessity under subsection (a) if the commission finds that a clean
 13 coal technology project offers substantial potential of reducing **or**
 14 **avoiding sulfur or nitrogen based pollutants airborne emissions (as**
 15 **defined in IC 8-1-2-6.1(a))** in a more efficient manner than
 16 conventional technologies in general use as of January 1, 1989. For
 17 purposes of this chapter, a project that the United States Department of
 18 Energy has selected for funding under its Innovative Clean Coal
 19 Technology program and is finally approved for funding after
 20 December 31, 1988, is not considered a conventional technology in
 21 general use as of January 1, 1989. When determining whether to grant
 22 a certificate under this section, the commission shall examine the
 23 following factors:

- 24 (1) The costs for constructing, implementing, and using clean coal
 25 technology compared to the costs for conventional emission
 26 reduction facilities.
- 27 (2) Whether a clean coal technology project will also extend the
 28 useful life of an existing electric generating facility and the value
 29 of that extension.
- 30 (3) The potential reduction of ~~sulfur and nitrogen based pollutants~~
 31 **airborne emissions (as defined in IC 8-1-2-6.1(a))** achieved by
 32 the proposed clean coal technology system.
- 33 (4) The reduction of ~~sulfur nitrogen based pollutants~~ **airborne**
 34 **emissions (as defined in IC 8-1-2-6.1(a))** that can be achieved by
 35 conventional pollution control equipment.
- 36 (5) Federal ~~sulfur and nitrogen based~~ pollutant emission
 37 standards.
- 38 (6) The likelihood of success of the proposed project.
- 39 (7) The cost and feasibility of the retirement of an existing electric
 40 generating facility.
- 41 (8) The dispatching priority for the facility utilizing clean coal
 42 technology, considering direct fuel costs, revenues and expenses

of the utility, and environmental factors associated with byproducts resulting from the utilization of the clean coal technology.

(9) Any other factors the commission considers relevant, including whether the construction, implementation, and use of clean coal technology is in the public's interest.

(c) A public utility is not required to obtain a certificate under this chapter for a clean coal technology project that constitutes a research and development project that may be expensed under IC 8-1-2-6.1.

SECTION 9. IC 8-1-8.8-3, AS AMENDED BY P.L.175-2007, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 3. As used in this chapter, "clean coal technology" means a technology (including precombustion treatment of coal):

(1) that is used in a new or existing energy production or generating facility and directly or indirectly reduces or avoids airborne emissions ~~of sulfur, mercury, or nitrogen oxides or other regulated air emissions associated with the combustion or use of coal;~~ (as defined in IC 8-1-2-6.1(a)); and

(2) that either:

(A) was not in general commercial use at the same or greater scale in new or existing facilities in the United States at the time of enactment of the federal Clean Air Act Amendments of 1990 (P.L.101-549); or

(B) has been selected by the United States Department of Energy for funding or loan guaranty under an Innovative Clean Coal Technology or loan guaranty program under the Energy Policy Act of 2005, or any successor program, and is finally approved for such funding or loan guaranty on or after the date of enactment of the federal Clean Air Act Amendments of 1990 (P.L.101-549).

SECTION 10. IC 8-1-37 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2008]:

Chapter 37. Renewable Energy Development

Sec. 1. The general assembly finds that it is in the public interest for the state to promote the development and use of renewable energy resources and advanced energy resources in Indiana in order to:

(1) diversify the resources used to reliably meet the energy needs of Indiana citizens;

(2) encourage private investment in renewable energy resources and advanced energy resources in Indiana;

- (3) reduce greenhouse gas and other air emissions; and**
- (4) promote other environmentally sound and sustainable practices by electricity suppliers.**

Sec. 2. (a) As used in this chapter, "advanced energy resources" includes the following sources and programs for the production or conservation of electricity:

(1) Combined heat and power systems that:

(A) use natural gas or renewable energy resources as feedstock; and

(B) achieve at least seventy percent (70%) overall efficiency.

(2) Demand side management or energy efficiency programs that:

(A) reduce electricity consumption; or

(B) implement load management or demand response technologies that shift customers' electric load from periods of higher demand to periods of lower demand.

(3) Waste coal.

(4) Clean coal and energy projects (as defined in IC 8-1-8.8-2).

(5) Other non carbon dioxide emitting or low carbon dioxide emitting electricity generating technologies, including integrated gasification combined cycle generation with the capability for carbon capture and sequestration through:

(A) storage; or

(B) enhanced oil recovery.

(b) The term includes transmission and distribution system extensions or upgrades necessary to accommodate the use of advanced energy resources.

(c) The term does not include energy from the incineration, burning, or heating of the following:

(1) Tires.

(2) Garbage.

(3) General household, institutional, or commercial waste.

(4) Industrial lunchroom or office waste.

(5) Construction or demolition debris.

(6) Feedstock that is municipal, food, plant, industrial, or animal waste from outside Indiana.

Sec. 3. As used in this chapter, "carbon offset" means the act of reducing or avoiding greenhouse gas emissions in one place through means:

(1) other than the production of electricity; and

(2) not related to the use of electricity;

in order to offset greenhouse gas emissions occurring at another place.

Sec. 4. As used in this chapter, "carbon offset equivalents" means the number of carbon offsets necessary to offset one (1) megawatt hour of electricity produced by a traditional coal fired power plant.

Sec. 5. (a) As used in this chapter, "electricity supplier" means a public utility (as defined in IC 8-1-2-1) that furnishes retail electric service to the public.

(b) The term does not include a utility that is:

- (1) a municipally owned utility (as defined in IC 8-1-2-1(h));
- (2) a corporation organized under IC 8-1-13; or
- (3) a corporation organized under IC 23-17 that is an electric cooperative and that has at least one (1) member that is a corporation organized under IC 8-1-13.

Sec. 6. As used in this chapter, "fund" refers to the advanced and renewable energy resources fund established by section 11 of this chapter.

Sec. 7. As used in this chapter, "renewable energy credit", or "REC", means one (1) megawatt hour of electricity that:

(1) is:

- (A) generated from a renewable energy resource described in section 8(a) of this chapter; or
- (B) conserved through the use of an advanced energy resource described in section 2(a)(2) of this chapter;

(2) is quantifiable; and

(3) is possessed by not more than one (1) entity at a time.

Sec. 8. (a) As used in this chapter, "renewable energy resources" means alternative sources of renewable energy, including the following:

- (1) Wind energy.
- (2) Solar energy.
- (3) Photovoltaic cells and panels.
- (4) Dedicated crops grown for energy production and used as:
 - (A) the sole fuel; or
 - (B) part of a co-firing application;
 - in an energy generating facility.
- (5) Organic waste biomass, including any of the following organic matter that is available on a renewable basis:
 - (A) Agricultural crops.
 - (B) Agricultural wastes and residues.
 - (C) Wood and wood wastes (other than treated or painted

- 1 **lumber) including the following:**
- 2 **(i) Wood residues.**
- 3 **(ii) Forest thinnings.**
- 4 **(iii) Mill residue wood.**
- 5 **(iv) Waste from construction and demolition.**
- 6 **(D) Animal wastes.**
- 7 **(E) Aquatic plants.**
- 8 **(6) Hydropower from existing dams.**
- 9 **(7) Fuel cells.**
- 10 **(8) Energy from waste to energy facilities that produce steam**
- 11 **that is not used for the production of electricity.**
- 12 **(9) Methane systems that convert waste products, including**
- 13 **animal, food, and plant waste, into electricity.**
- 14 **(10) Methane recovered from landfills or underground coal**
- 15 **mines.**
- 16 **(11) Ocean current or wave energy.**
- 17 **(12) Any other sources that:**
- 18 **(A) are included in any applicable federal renewable**
- 19 **resource portfolio standard; or**
- 20 **(B) become available through future developments in**
- 21 **renewable energy technologies.**
- 22 **(b) The term includes transmission and distribution system**
- 23 **extensions or upgrades necessary to accommodate the use of**
- 24 **renewable energy resources.**
- 25 **(c) Except for a renewable energy resource described in**
- 26 **subsection (a)(8), the term does not include energy from the**
- 27 **incineration, burning, or heating of the following:**
- 28 **(1) Tires.**
- 29 **(2) Garbage.**
- 30 **(3) General household, institutional, or commercial waste.**
- 31 **(4) Industrial lunchroom or office waste.**
- 32 **(5) Feedstock that is municipal, food, plant, industrial, or**
- 33 **animal waste from outside Indiana.**
- 34 **Sec. 9. (a) Subject to subsection (b), each electricity supplier**
- 35 **shall supply electricity that is generated from, or otherwise**
- 36 **qualifies as, a renewable energy resource or an advanced energy**
- 37 **resource to Indiana retail customers as a percentage of the total**
- 38 **electricity supplied by the electricity supplier to Indiana retail**
- 39 **customers during a calendar year as follows:**
- 40 **(1) Not later than the calendar year ending December 31,**
- 41 **2012, at least two percent (2%) of the electricity supplier's**
- 42 **Indiana retail sales for the calendar year ending December 31,**

1 **2011.**

2 **(2) Not later than the calendar year ending December 31,**
 3 **2016, at least four percent (4%) of the electricity supplier's**
 4 **Indiana retail sales for the calendar year ending December 31,**
 5 **2011.**

6 **(3) Not later than the calendar year ending December 31,**
 7 **2020, and for all years thereafter, at least six percent (6%) of**
 8 **the electricity supplier's Indiana retail sales for the**
 9 **immediately preceding calendar year.**

10 **For purposes of this subsection, electricity is measured in**
 11 **megawatt hours.**

12 **(b) An electricity supplier may not use an advanced energy**
 13 **resource to supply more than fifty percent (50%) of the electricity**
 14 **that the electricity supplier is required to supply under subsection**
 15 **(a).**

16 **(c) An electricity supplier may own or purchase RECs or carbon**
 17 **offset equivalents to comply with subsection (a).**

18 **(d) If an electricity supplier exceeds the applicable percentage**
 19 **under subsection (a) in a compliance year, the electricity supplier**
 20 **may carry forward the amount of electricity that:**

21 **(1) exceeds the applicable percentage under subsection (a);**
 22 **and**

23 **(2) is generated from, or otherwise qualifies as, a renewable**
 24 **energy resource or an advanced energy resource;**

25 **to comply with the requirement under subsection (a) for either or**
 26 **both of the two (2) immediately succeeding compliance years.**

27 **(e) An electricity supplier that fails to comply with subsection**
 28 **(a) shall deposit in the fund an amount equal to:**

29 **(1) the number of megawatt hours of electricity that the**
 30 **electricity supplier was required to but failed to supply under**
 31 **subsection (a); multiplied by**

32 **(2) twenty dollars (\$20).**

33 **(f) An electricity supplier is not required to comply with**
 34 **subsection (a) if the commission determines that the electricity**
 35 **supplier has demonstrated that:**

36 **(1) advanced energy resources, renewable energy resources,**
 37 **RECs, or carbon offset equivalents are not available to the**
 38 **electricity supplier in sufficient quantities to allow the**
 39 **electricity supplier to comply with subsection (a); or**

40 **(2) the cost of compliance with subsection (a) using the**
 41 **advanced energy resources, renewable energy resources,**
 42 **RECs, or carbon offset equivalents available to the electricity**

supplier would result in an unreasonable increase in the basic rates and charges for electricity supplied to retail customers of the electricity supplier.

The commission shall conduct a public hearing to make a determination under this subsection.

(g) The commission shall allow an electricity supplier to recover, through a periodic rate adjustment mechanism, reasonable and necessary costs incurred in:

- (1) constructing, operating, or maintaining facilities to comply with this chapter;
- (2) generating electricity from, or purchasing electricity generated from, an advanced energy resource or renewable energy resource;
- (3) purchasing RECs or carbon offset equivalents; or
- (4) complying with any applicable federal renewable resource portfolio requirements.

Sec. 10. (a) The commission shall encourage electricity suppliers to meet or exceed the requirements set forth in section 9(a) of this chapter by:

- (1) providing additional financial incentives for electricity suppliers to use advanced energy resources and renewable energy resources in their resource portfolios; and
- (2) authorizing electricity suppliers to use alternative regulatory plans under IC 8-1-2.5.

(b) The financial incentives authorized by subsection (a) may include one (1) or more of the following:

- (1) Enhanced returns on equity.
- (2) Capitalization of and returns for program expenses.
- (3) Incentives based on the sharing of achieved program savings.
- (4) Incentives based on avoided costs resulting from achieved program results.

(c) The commission shall also encourage the research, development, and implementation of additional environmentally sound and sustainable projects and practices by electricity suppliers, including projects and practices that exceed applicable federal and state environmental requirements, by means of:

- (1) timely cost recovery through periodic rate adjustment mechanisms;
- (2) the authorization to use alternative regulatory plans under IC 8-1-2.5; and
- (3) other financial incentives the commission considers

1 appropriate;
2 if the commission determines that the projects or practices
3 proposed by an electricity supplier are reasonable.

4 **Sec. 11. (a) The advanced and renewable energy resources fund**
5 **is established to:**

6 (1) support the development, construction, and use of
7 advanced energy resources and renewable energy resources,
8 including small scale advanced energy resources and
9 renewable energy resources, in rural and urban Indiana; and

10 (2) reimburse the Indiana economic development corporation
11 and the commission for expenses incurred under section 12 of
12 this chapter.

13 **(b) The fund consists of the following:**

14 (1) Money deposited under section 9(e) of this chapter.

15 (2) Money from any other source that is deposited in the fund.

16 **(c) The Indiana economic development corporation shall**
17 **administer the fund.**

18 **(d) The expenses of administering the fund shall be paid from**
19 **money in the fund.**

20 **(e) The treasurer of state shall invest the money in the fund not**
21 **currently needed to meet the obligations of the fund in the same**
22 **manner as other public money may be invested. Interest that**
23 **accrues from these investments shall be deposited in the fund.**

24 **(f) Money in the fund at the end of a state fiscal year does not**
25 **revert to the state general fund.**

26 **Sec. 12. (a) This section applies if there is sufficient money in the**
27 **fund established by section 11 of this chapter to reimburse the**
28 **Indiana economic development corporation and the commission**
29 **for expenses incurred under subsection (b).**

30 **(b) The Indiana economic development corporation, in**
31 **consultation with the commission, shall develop a strategy to**
32 **attract renewable energy manufacturing facilities, including wind**
33 **turbine component manufacturers, to Indiana.**

34 **Sec. 13. Beginning in 2013, not later than April 30 of each year,**
35 **an electricity supplier shall file with the commission a report of the**
36 **electricity supplier's compliance with this chapter for the**
37 **preceding calendar year, along with the estimated impact on the**
38 **electricity supplier's revenues from residential, commercial, and**
39 **industrial customers as a result of the electricity supplier's**

1 **compliance with this chapter.**

2 **Sec. 14. The commission shall adopt rules under IC 4-22-2 to**

3 **implement this chapter.**

(Reference is to SB 224 as introduced.)

and when so amended that said bill do pass .

Committee Vote: Yeas 6, Nays 3.

Senator Hershman, Chairperson